

UNCLAS SECTION 01 OF 03 SAN JOSE 002908

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [OREP](#) [PREL](#) [ETRD](#) [CS](#)

SUBJECT: CODEL BLUNT URGES PROMPT RATIFICATION OF CAFTA-DR

Summary

¶11. (SBU) In a meeting with Costa Rican legislators on December 19, the members of CODEL Blunt delivered a two-fold message: the United States will not renegotiate CAFTA-DR on a bilateral basis with Costa Rica; and the benefits Costa Rica now receives under the Caribbean Basin Initiative (CBI) will fall away whether Costa Rica ratifies CAFTA-DR or not. The CODEL also met with members of the GOCR cabinet and the president of the central bank, and were hosted for dinner by the American Chamber of Commerce. The visit received wide and favorable press coverage. Embassy is following up on the visit with activities to hasten ratification of CAFTA-DR in Costa Rica. End Summary.

Meeting with Counterparts

¶12. (U) CODEL Blunt arrived in Costa Rica early in the afternoon of December 19. Members of the CODEL were: Roy Blunt (R-MO); Solomon Ortiz (D-TX); Mark Foley (R-FL); Ruben Hinojosa (D-TX); Gregory Meeks (D-NY); Dennis Moore (D-KS); and Mike Conaway (R-TX).

¶13. (U) The CODEL's first meeting was at the Legislative Assembly and with the members of the International Relations and Trade Committee, which is now holding hearings on CAFTA-DR. Rolando Lacle, president of the committee, presided. With him were Laura Chinchilla, Luis Ramirez, Federico Malavassi, Bernal Jimenez, Ruth Montoya, Juan Jose Vargas, Mario Calderon, Gerardo Vargas, Carlos Salazar, and Epsy Campbell.

¶14. (U) Representative Blunt opened the discussion by noting that the delegation of four Democrats and three Republicans all voted in favor of CAFTA-DR, but only after a hard-fought and vigorous debate in Congress. In the end, a majority of Congress recognized the importance of strengthening the bonds with our neighbors through increased and freer trade.

Costa Rican Concerns

¶15. (U) Laura Chinchilla, vice presidential candidate in the February 6, 2006, elections, said that Costa Rica wants to compete and export, not receive aid. She said that her party, the National Liberation Party (PLN), wants to ratify CAFTA-DR as quickly as possible, but that the administration has been obstructing discussion of the treaty.

¶16. (U) Luis Ramirez, also of the PLN, raised two questions for the U.S. Congressmen: how much longer will the United States subsidize its farmers, and why not negotiate a bilateral free trade agreement between the United States and Costa Rica?

¶17. (U) Federico Malavassi of the Libertarian Movement Party said that his party not only supports CAFTA-DR, but wishes that the treaty had gone further to eliminate trade barriers in the region and with the United States. He said he was disappointed that Costa Rica was so slow in ratifying an agreement that was so obviously beneficial.

¶18. (U) PLN legislator Bernal Jimenez asked whether in the future it would be possible to renegotiate some aspects of CAFTA-DR.

¶19. (U) Ruth Montoya of the Citizens' Action Party (PAC), which opposes CAFTA-DR, noted that President Bush, according to President Pacheco, said that Costa Rica should "take its time" in ratifying CAFTA-DR. She said her party was not against free trade, *per se*, citing its support for the free trade agreement with Canada, but is against CAFTA-DR.

¶10. (U) Juan Jose Vargas, who recently founded a new party and is now a minor candidate for president, complained that CAFTA-DR is surrounded by ignorance, divisiveness, propaganda, and lies. He said there had been a total lack of transparency during negotiations and that the telecommunications and insurance sectors became subjects of negotiations only at the last minute and under extreme pressure. He said maintaining social peace is more important than free trade.

¶11. (U) Mario Calderon said that his Social Christian Unity

Party (PUSC) supports CAFTA-DR but is troubled by the question of U.S. subsidies.

¶12. (U) Gerardo Vargas of PAC said that CAFTA-DR will hurt small business in Costa Rica, especially farmers, and put at risk the nation's "food security." If CAFTA-DR passes, he said, Costa Rica will be at the mercy of U.S. farmers. He urged renegotiation of the treaty and the continuation of CBI benefits for Costa Rica.

CODEL Responds

¶13. (U) Representative Blunt said that the U.S. Congress's vote on CAFTA-DR was its most important foreign policy vote for the hemisphere in more than a decade. The idea was to replace a temporary, unilateral concession (CBI) with a permanent, negotiated, mutually-binding agreement (CAFTA-DR). CBI will not last, he said, and if Costa Rica rejects CAFTA-DR, the United States will not then negotiate a separate bilateral agreement with Costa Rica.

¶14. (U) Representative Ortiz said that his vote in favor of CAFTA-DR was influenced by his border district's positive experience with NAFTA. He said that before NAFTA, unemployment in his district was 22 percent; today it is 6 percent. He noted that people are always afraid of change.

¶15. (U) Representative Foley said that there was a lot of pressure on him in his sugar-growing district to vote against CAFTA-DR. But he was persuaded by President Bush to think about how important trade and economic development were to ensure peace and stability in Central America. He said Costa Rica must ratify CAFTA-DR now and not gamble on some theoretical future, better agreement. He said, "Free trade agreements in the United States will not get easier to pass, but only harder." He said it is important for politicians to put their country's interests above their own political self-interest as he had done.

¶16. (U) Representative Hinojosa, like Ortiz from a Texas border district, said that employment in his district improved dramatically with the implementation of NAFTA; there are more and better jobs. He said it was not realistic for Costa Rica to hope for a new, separate, bilateral treaty; it will not happen, he said. Costa Rica had to get on the train now because it is leaving the station.

¶17. (U) Representative Moore said that trade not only brings economic benefits, but also helps consolidate democracy. He said that CBI is a temporary measure and will not be extended for Costa Rica. He said that former President Carter's letter which characterized CAFTA-DR as an opportunity to help fledgling democracies was influential in his decision to vote in favor of the agreement.

¶18. (U) Representative Meeks said that Costa Rica, because of the level of education of its people, stood to benefit more from CAFTA-DR than any other country. He said renegotiation of the treaty was out of the question and that CBI benefits will be phased out. He reminded the Costa Rican legislators that in negotiations neither side gets what it considers to be the perfect result. He said they should trade "short-term pain for long-term gain;" the question is whether their children will be better off with or without CAFTA-DR. Meeks said it is clear that while CAFTA-DR will not solve all of Costa Rica's economic problems, "it is a giant step in the right direction."

¶19. (U) Representative Conaway urged the Costa Rican legislators to consider what is in the best interest of their country as a whole and to "push back" against special interest groups. He said there must be no illusions that CAFTA-DR will be renegotiated or that CBI will go on forever. He noted that the U.S. Congress voted the night before to eliminate subsidies across the board in 2007.

Press Conference

¶20. (U) In a press conference immediately following the roundtable discussion with Costa Rican legislators, Representative Blunt reiterated that the United States wanted Costa Rica to be a part of CAFTA-DR, but that the Costa Ricans would have to make their own decision in that regard. Representative Meeks said that Costa Rica will benefit from CAFTA-DR and noted that several Caribbean countries also want a free trade agreement with the United States. Representative Hinojosa stressed the benefits of NAFTA in his district where in the last 12 years unemployment dropped from 22 percent to 8 percent, despite population growth during that period of 48 percent.

Evening Events

¶21. (U) In the evening the CODEL attended a reception at the Ambassador's residence and met with Ministry of the Economy Gilberto Barrantes, Acting Minister of Foreign Trade Doris

Osterlof, Vice Minister of Foreign Affairs Marco Vinicio Vargas, adviser to the Economic Council Pedro Quiros, and Central Bank President Francisco de Paula Gutierrez. Following the reception, the Costa Rican-American Chamber Of Commerce (AmCham) hosted the CODEL for dinner. The CODEL departed the morning of December 20 for El Salvador.

Press Coverage

122. (U) The CODEL's principal message was featured in the headlines of articles in Costa Rica's December 20 daily newspapers, as follows. La Nacion: Congressmen reaffirm that CAFTA renegotiation is improbable. La Republica: U.S. Congressmen indicate that bilateral renegotiation is not an option. La Prensa Libre: U.S. Congressmen say, "CAFTA cannot be renegotiated." Al Dia: No to renegotiation. Both La Nacion and La Republica had long articles on December 21 pointing out the dire consequences for Costa Rican exports if CBI were to be terminated.

123. (U) On December 21, several commentators noted that the CODEL took the wind out of the sails of CAFTA-DR's main opponent in Costa Rica, PAC presidential candidate Otto Solis, who has been claiming that the treaty can and must be renegotiated. Solis himself, however, was undaunted, saying that regardless of what the CODEL members said, CAFTA-DR can be modified to protect small and medium-sized businesses in Costa Rica. Solis's companion on the ticket as candidate for vice president, Epsy Campbell, told the press that the U.S. representatives were trying to put undue pressure on Costa Rica, but in fact they had nothing new to say. (Campbell arrived late at the roundtable with the CODEL and did not speak.)

124. (U) At the same time that the CODEL members were meeting with their Costa Rican counterparts, USTR released its 12/19 statement regarding CAFTA-DR's entry into force. What particularly attracted the attention of the Costa Rican press was the part of the statement noting "a seamless transition" between CBI and CAFTA-DR and that existing preferences would continue to be enjoyed only "during a brief transition period." The statement undercut a main argument of CAFTA-DR opponents in Costa Rica, namely that CAFTA-DR was unnecessary because Costa Rica already had, and would continue to have, CBI.

Comment

125. (SBU) The USTR statement along with the comments of the CODEL members made crystal clear what the Embassy has been telling the GOCR, the legislature, and the press all along -- CBI is not forever, and CAFTA-DR will not be renegotiated with Costa Rica. We know that two thirds of the legislature and two thirds of the population support CAFTA-DR. The problem here has been a feckless and indecisive president who refused to send CAFTA-DR to the legislature until late October, thus starting a process of ratification that normally takes at least six months. Embassy plans to follow up the very successful CODEL and USTR announcement with a concerted push to get the legislature to act quickly. The first step will be an exclusive interview of the Ambassador with La Nacion, Costa Rica's leading daily newspaper.

126. (U) This cable was not cleared by the CODEL.

LANGDALE